



## KPK BUDGET COMMENTARY 2021

**Audit | Tax | Advisory |  
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**KPK BUDGET COMMENTARY, 2021**

This commentary has been prepared for our clients and staff for information and guidance only and is available for interested persons at our website <http://www.bdo.com.pk>. The notes contained herein are based on the Khyber Pakhtunkhwa Finance Bill, 2021 which upon enactment with or without modification shall be issued as Khyber Pakhtunkhwa Act, 2021.

Clients are advised to consult the actual text of the Bill while interpreting the specific provisions and to consult our tax department for clear advice on specific issues. The budget provisions are applicable for tax year 2022 unless otherwise stated.

**BDO EBRAHIM & CO.**

**Dated: June 21, 2021**

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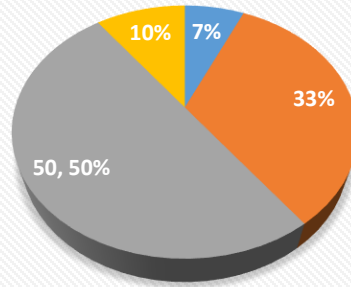
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Comparative Budget at a glance  
(Amounts rounded to nearest billion)

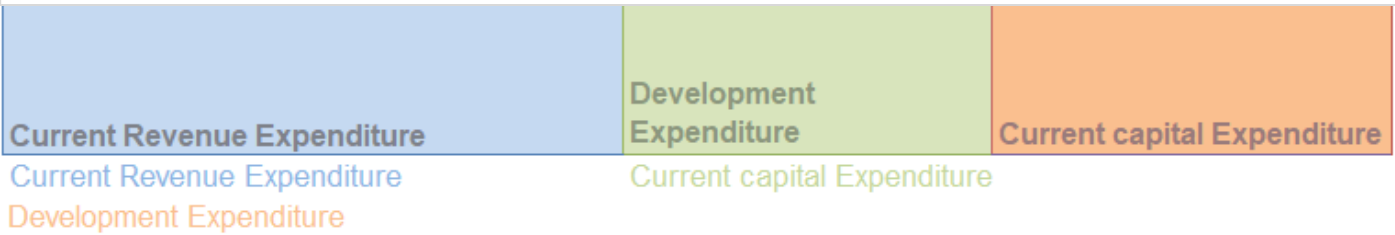
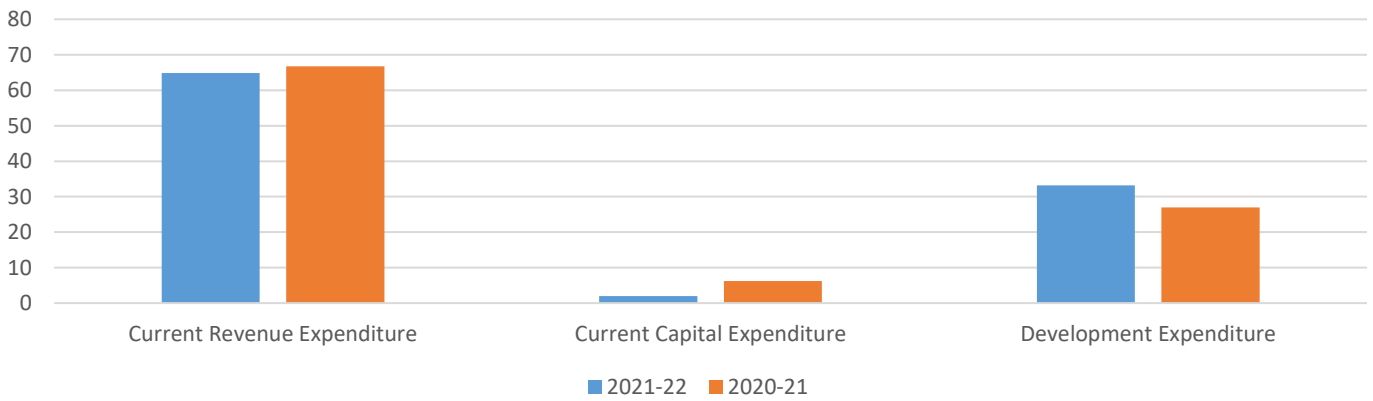
	2021-2022		2020-2021	
	Rs	%	Rs	%
<b>Receipt</b>				
Revenue Receipts				
Tax Revenue	75	7	52	6
Non-Tax Revenue	371	33	265	29
Revenue from Govt.	559	50	456	49
Total Revenue Receipts	1,005	79	773	78
Capital Receipts	113	10	154	17
Total Resources	1118	100	927	100
<b>Expenditure</b>				
Current Revenue Expenditure	725	65	619	67
Current Capital Expenditure	22	2	58	6
Development Expenditure	371	33	250	27
Total Expenditure	1118	100	927	100

### Sources of Income



■ Tax Revenue ■ Non-Tax Revenue ■ Revenue from Govt ■ Capital Receipts ■

### Comparison of Expenditure



## Overview

Overall the KPK Finance Bill has provided a way for streamlining the impacts of Covid-19 pandemic through multiple interventions in the form of multifold increase in health education and development expenditures through an agenda of Social Economic Growth and Development of merged areas and to uplift the quality of living of ordinary persons. The major increase in current expenditure which take ups over 67% of overall budget. Set with a total outlay of Rs. 1,118 billion, the proposed KPK Budget, sets a local tax revenue target of Rs. 75 billion, in addition to receipts from federal government amount to Rs 559 billion, Profit from hydro Electricity (NHP) of Rs. 75 billion, and non-tax revenue of Rs 409 billion. Further the overall current revenue expenditure amounts to Rs 747 billion, whereas the current capital expenditure and current development expenditure is planned at Rs 262 billion and 109 billion respectively.

The major emphasis has been laid down to develop the merged areas. Development expenditure is perhaps the most critical component of this KPK budget. The Government of Khyber Pakhtunkhwa is dedicated to not only spend a sizable amount on the development of the province, but also to structure it in a systematic way. These reforms included multiple initiatives such as introducing a new ADP policy, issuing new ADP guidelines, reducing the throw-forward through ADP rationalization, and issuing a new release policy that ensured spending was done in a more responsible manner across the year.

In order to equalize the development expenditure across province of KPK an announcement for a separate development plan for merged areas wherein 100 billion of annual development expenditure has been set-aside for merged districts. Further, in order to face the challenges of Covid-19 by general public KPK Government has been set-aside 3.9 billion for Covid-19 related contingency in the overall expenditure.

The approach of the KPK Government is to facilitate the business during Covid-19 pandemic situation. KPK Government announce various tax reliefs for business. In order to streamline the post covid economic activities, KPK Government announce exemption from professional taxes, rebate on property taxes, exemption from vehicles registration fee and reduces the tax rates on various services. The aim of the Government is to help the layman by way of tax reliefs and indict impact of these relies on businesses.

**BDO EBRAHIM & CO.**  
**DATED: JUNE 16, 2020**

## Executive Summary

### The Stamp Act No. II of 1899 ('Stamp Act')

- Stamp Act has proposed to insert the proviso in sub-section 1 of section 27A which the valuation of land with FBR rates.
- Stamp Act seek to increase the stamp duty of registration instrument of residential open plot and commercial open plot by Rs.300 per Marla.
- Stamp Act has proposed to restructure the contract values and their respective stamp duties by substituting the Article 22A of Schedule-1.

### The Registration Act, 1908 ("Registration Act")

- Registration Act has proposed to insert section 16A vide which Government of KPK may establish online repository of registered instrument and electronic verification of registered property.
- Registration Act seeks digitalize all documents such as books, decrees, deeds, orders, certificates etc. being mentioned in registration Act by inserting section 17A.

### The West Pakistan Act, 1958 ("Urban Immovable Property Tax Act")

- Urban Immovable Property Tax Act has proposed to remove the CNG Station and petrol pump from general serial i.e. Serial No. 2 of Schedule-II and inserted new entry 8A. After Insertion of new serial CNG Stations and Petrol Pumps will pay Rs.45,000 with effect from July 1, 2020.

### The Khyber Pakhtunkhwa Finance Act, 1990 ("Finance Act 1990")

- Finance Bill 2021 seeks to insert new proviso in section 7 of Finance Act 1990 for exemption of professional tax during financial year 2021-22.

### Khyber Pakhtunkhwa Ordinance No. IV of 2000

- Finance Bill 2021 proposed to exempt the agriculture income tax for financial year 2021-22 by inserting proviso in section 3 of the Ordinance 2000.
- Through Finance Bill 2021 Government of KPK seeks to substitute the second schedule of Ordinance No. IV of 2000 whereby slabs of agriculture income will be increased.

### Khyber Pakhtunkhwa Ordinance No. XXIII of 2002

- Finance Bill 2021 has proposed to amend the section 4 of KPK Ordinance No. XXIII of 2002 by deleting words "on the basis of fifty percent of the total number of loading units". By deleting these words, tax on hotels in KPK will be levied @ 10% of the room rent per loading unit per day on total capacity instead of 50%.

### The KPK Sales Tax on Services Act 2013

- The bill has proposed to define the withholding agent. Before proposed insertion, specific definition of withholding was not available.
- The bill proposed to insert new section whereby companies will get informed to Authority for taxable services those are taxable at standard rate as well as reduce rate before adoption of standard rate.
- Finance Bill has proposed to layout the procedure for withholding agent and their responsibility accordingly.
- The bill has proposed amendments in various section whereby Authority will cover all the persons as defined in act instead of only registered person.
- The Bill seeks to insert sub-section (3) in section to define the procedure and rates for calculation of default surcharge.
- The bill has proposed major amendments in second schedule of the Act. To facilitate the businesses during this pandemic situation, most of rates of taxable services has been proposed to reduce upto the minimum level i.e. 1%

1  
SECTION  
(CLAUSE)  
27A

**The Stamp Act No. II of 1899 ('Stamp Act')**

The Finance bill has proposed to insert proviso in sub-section (1) of section 27A. Proposed proviso shall be as follow:

"Provided that the value, so determined, shall in no case be less than ninety percent (90%) of the rates determined by the Federal Board of Revenue."

Purpose of new insertion is to insure the valuation of property in accordance with the valuation rates of FBR.

The bill seeks following changes in Schedule-1:

**Schedule-1**

Article 6(A):

Article	Description of Instrument	Existing Proper Stamp	Proposed Proper Stamp
6(A)	Allotment Order or Transfer of Allotment Order issued by a developer, builder, co-operative Society, housing society or housing authority, or any other body or organization providing open plots dwelling houses or built up commercial premises;		
	(i) in respect of residential open plots.	Rupees 1[300] per Marla.	Rupees [600] per Marla.
	(ii) in respect of commercial open plots.	Rupees [600] per Marla.	Rupees [1200] per Marla.

Article 22(A) shall be substituted with following table:

Article Number	Description of Instrument	Proper Stamp
22(A)	CONTRACT, that is to say any instrument of the nature of memorandum of agreement, made or entered into by a contractor with Government, a Corporation, Local Body, Local Authority, Agency or Organization set up or controlled by Federal Government or Provincial Government.	
	a) To execute any work-	Two hundred and fifty rupees
	(i) where the amount does not exceed rupees 0.1 million;	One thousand two hundred and fifty rupees.
	(ii) where the amount exceeds rupees 0.1 million but does not exceed rupees one million;	Four thousand rupees.
	(iii) where the amount exceeds rupees one million but does not exceed rupees five million;	Nine thousand rupees.
	(iv) where the amount exceeds rupees five million but does not exceed rupees ten million; and	Forty thousand rupees.
	(v) where the amount exceeds rupees ten million; and	One rupee for every one hundred rupees(100.00) or part thereof of the amount of the contract
	b) to procure stores and materials.	

Following changes has been proposed in Article 53:

Article	Description of Instrument	Existing Proper Stamp	Proposed Proper Stamp
53	RECEIPTS as defined by section 2(23) for any money or other property the amount or value of which exceeds twenty rupees.		
	a) where such amount does not exceed Rs. 2,000;	Two Rupees	Five Rupees
	b) where such amount exceeds Rs.2,000 but does not exceed Rs. 10,000;	Three Rupees	Six Rupees
	c) where such amount exceeds Rs. 10,000.	Seven Rupees	Fifteen Rupees

**2 The Registration Act No. XVI of 1908 ("Registration Act")**

**16A** The Finance Bill 2021 has proposed to insert section 16A which shall be stated as follow:

**"16A. Online repository of registered instruments and electronic verification of registered property.---**  
Government may make provision for establishment of online repository of registered instruments and electronic verification of registered property in the prescribed manner.

Purpose of this insertion is to empower the KPK Government for online record/verification of registered property in the same manners as Government of Punjab has launched the online inspection of land.

The bill seeks to insert new section namely 17A which shall be as follow:

**17A** **"17A. Digitized version of documents.---** All documents, books, instruments, decrees, deeds, assignments, endorsements, debentures, orders, certificates, counterpart of lease, signatures mentioned in this Act may also be processed through digitized means of registration.

Insertion of section 17A will empower the Government/land registry department to process the land registration with digital documents i.e. deeds, assignments, signature, etc.

**3 The West Pakistan Act No. V of 1958 ("Urban Immovable Property Tax Act")**

**3(2a)** The Finance Bill has proposed to substitute the date "28 February" with "31 day of December". After this substitution the Sub-Section (2a) of section 3 will be stated as follow:

"(2a) A rebate at the rate of 10% of the tax assessed under sub-section (2) shall be admissible to those assessee who pay the tax in advance for the whole year by 31st day of December of the year to which it relates."

Further, bill seeks to delete the existing proviso of section (3).

**4 The Finance Bill has proposed following changes in Schedule-II of the Act.**

**Serial No.2** Petrol Pumps and CNG station will be deleted from serial No. 2.

**Serial 8A.** The bill seeks to insert new serial 8A which will be stated as follow:

"8A. Petrol pumps and CNG stations shall be charged at a flat rate of rupees forty five thousand (45,000) per annum. Further, an explanation has been proposed to be added in serial 8A whereby Bill has clarify that the rate of property tax, decided for petrol pumps and CNG station will be affective from July 1, 2020. This explanation shall be stated as follow:

"Explanation: The tax liability regarding petrol pumps and CNG stations, for the period starting from 1st day of July, 2020 and ending on 30th day of June, 2021, shall also be assessed and taxed on the rates specified under this serial number."



5 **The Khyber Pakhtunkhwa Finance Act No. IV of 1990 ("Finance Act 1990")**

7(1) The Finance Bill 2021 has proposed to insert proviso after Sub-Section 1 of Section 7 which shall be as follow:

"Provided also that the tax under this section shall not be levied for the financial year 2021-22."

Through proposed insertion Finance Bill allowed exemption from professional tax for the financial year 2021-22.

6 **Khyber Pakhtunkhwa Ordinance No. IV of 2000**

3 The bill has proposed to insert proviso in Section 3 vide which Ordinance will allow complete exemption from agriculture Income tax in the territory of Khyber Pakhtunkhwa for financial year 2021-22. This proviso shall be read as follow:

"Provided that the tax under this section shall not be levied for the financial year 2021-22."

**Second Schedule** The bill has seek to substitute the second schedule of the ordinance with following table:

Second Schedule  
(see section 6)  
Rates of Agriculture

Income Tax In the case of every owner, the agriculture income tax shall be charged on the agriculture income:

1.	Where the taxable limit does not exceed Rs.600,000/-	No tax
2.	Where the taxable limit exceeds Rs.600,000/- but does not exceed Rs.850,000/-;	5% of amount exceeding Rs. 600,000/-
3.	Where the taxable limit exceeds Rs.850,000/- but does not exceed Rs.1000,000/-;	Rs.12,500/- plus 7.5% of the amount exceeding Rs.850,000/-
4.	Where the taxable limit exceeds Rs.1000,000/- but does not exceed Rs.1250,000/-;	Rs.23,750/- plus 10% of the amount exceeding Rs.1000,000/-
5.	Where the taxable limit exceeds Rs.1250,000/- but does not exceed Rs.1500,000/-; and	Rs.48,750/- plus 15% of the amount exceeding Rs.1250,000/-
6.	Where the taxable limit exceeds Rs.1500,000/-.	Rs.92,500/- plus 17.5% of the amount exceeding Rs.1,500,000/-

7 **Khyber Pakhtunkhwa Ordinance No. XXIII of 2002**

4 Finance Bill 2021 has proposed to amend the section 4 by deleting words "**on the basis of fifty percent of the total number of loading units**". By deleting these words, tax on hotels in KPK will be levied @ 10% of the room rent per loading unit per day on total capacity instead of 50%. After this deletion, said section will be sated as follow:

"4 Tax on hotels.—There shall be levied and collected every year a tax on hotels, payable by the owner or management thereof at the rate of five per cent of the room rent per lodging unit per day, available in the hotel concerned; provided that the assessment in relation to a hotel at a hill station shall be made at the aforesaid rate for four months only in a year, that is from 1st day of May to 31st day of August (both days inclusive):

**8 The KPK Sales Tax on Services Act 2013****2(1) Definitions**

Finance Bill 2021 seeks to substitute the words "establish under" with "constituted under section 82 of".

After substitution of the above words, new definition shall be as follows:

"Appellate Tribunal" means the Appellate Tribunal **constituted under section 82** of this Act;

**2(15) Default Surcharge**

The bill 2021 seeks to substitute the definition of default surcharge. After substitution, new definition shall be as follow:

"default surcharge" means the default surcharge levied and calculated or calculable under section 65 of this Act;"; and

**2(57) Withholding Agent**

Finance Bill 2021 has proposed to insert the definition of withholding agent by inserting clause 57. Definition of withholding agent shall be as follow:

"withholding agent" means any person, who, as a recipients of taxable service or otherwise, withholds or deducts and pays or deposits tax directly to Government in the manner as may be prescribed;"

**26A** The bill has proposed to insert proviso in subsection 1 of section 26A by replacing the "full stop" by "colon" at the end of sub-section 1. New proviso shall be as follow:

"Provided that a registered person, in case of a company, may opt to operate under standard rate system on intimation to the Authority at least one month in advance and shall not be entitled to revert back to the reduced rate without prior permission from the Authority as required under sub-section (2)."

Purpose of insertion of this proviso is to manage the registered person on those service which are taxable on reduce rate as well as slandered rate. After insertion of said proviso, now it will be compulsory for all registered companies to intimate to the Authority one month advance before adoption of stander rate on specific service.

**Section 30 Special procedure and tax withholding provisions**

The bill has proposed to insert sub-section 3 in section 30 which shall be stated as follow:

"(3) Where a person has been or is required to act as withholding agent, he shall personally be responsible to withhold and deposit the due tax. In case of failure on his part to do so, it shall be his personal liability to pay such due amount of tax along with default surcharge and penalty under this Act. Any such amount of tax, including default surcharge and penalty, if not paid, may be recovered from such person under section 87 of this Act."

The purpose of this insertion is to increase the collection of taxes by way of withholding agents. Now withholding agents will be liable to pay taxes personally where they fail to withhold any tax alongwith default surcharge as well as penalties.

**Section 32 Adjustments**

**Sub-Section 3** Finance Bill 2021 seeks to substitute the words in sub-section 3. Comparison of sub-section is tabulated hereunder:

Existing	Proposed
(3) No adjustment or deduction of any tax payable under any other law shall be claimed by any person except in the manner and to the extent specified in the notification issued under sub-section (1).	(3) No adjustment or deduction of any tax payable under any other law shall be claimed by any person except in the manner to the extent and from the date specified in the notification issued under sub-section (1):

Further, Finance bill has proposed to insert new proviso in sub-section 3 which shall be stated as follow:

“Provided that if no such date has been specified, the date of coming into effect of such notification shall be deemed to be the specified date for the purpose of this section.”;

**Section 35 Joint and several liability of registered persons where tax unpaid.**

The Bill seeks to insert additional words in section 35 to remove the limitation which was upto only registered person. Insertion of words **“or a person, as the case may be,** cover all the persons who will be involved in taxable activities, either registered or not.

Further, bill has proposed to insert an explanation after existing proviso that put the responsibility over person who will receive taxable services that from whom he has received taxable services, deposits the due tax relating to such transaction. The inserted explanation will be stated as follow:

“Explanation: Notwithstanding anything contained in this section, it shall be the responsibility of a registered person or a person to take all possible measures to ensure that the person from whom he has received taxable services, deposits the due tax, relating to such transaction, in the manner as provided under this Act and rules and regulations made thereunder.”;

**Section 40 Assessment of Tax**

The Finance Bill 2021 seeks to substitute the words **“Sub-Section (1)”** with **“Sub-Sections (1) and (1A)”** in sub-section (2), (3) and (5) of section 40. The purpose of substitution is to cover the conditions and implications of Sub-Section (1A) within the provisions of other sub-sections i.e. (2), (3) and (5).

The Bill has proposed to insert the words **“or the adjournments otherwise ordered by the officer for any bona fide or genuine reasons or factors beyond normal human control of the person, on the date fixed for hearing”** in sub-section (4) after the words **“by the person”**.

Purpose of these insertion is to relax the taxpayer for hearing due to abnormal situation. Comparison of sub-section before and after amendment is tabulated hereunder:

Existing	Proposed
(4) In computing the period specified in sub-section (3), any period during which the proceedings are adjourned on account of a stay order or proceedings under section 89 or the time taken through adjournments by the person shall be excluded.	(4) In computing the period specified in sub-section (3), any period during which the proceedings are adjourned on account of a stay order or proceedings under section 89 or the time taken through adjournments by the person or the adjournments otherwise ordered by the officer for any bona fide or genuine reasons or factors beyond normal human control of the person, on the date fixed for hearing shall be excluded.

Further, the bill seeks to substitute the words "sub-section (1) or (5)" by "sub-sections (1) and (1A) or sub-section (5)" in sub-section (6) of Section 40.

After Sub-Section (8) of Section 40, The bill has proposed to insert following new explanations:

"Explanation-I: For the removal of any doubt, the provisions of this section shall apply in cases involving situations where a registered person has received or collected tax from the recipient of a taxable service or services but has not paid the same or where a registered person has short-paid the tax whether due to short receipt, short collection or due to availing inadmissible input tax adjustment and where such non-payment or short-payment of tax has resulted from all or any of the reasons of intention, collusion, abetment, deliberate attempt, mis-statement, fraud, forgery, false or fake documents, the provisions of sub-section (2) of section 68 shall apply."

"Explanation-II: Audit includes departmental audit, external audit, special audit or any other scrutiny of records, facts and tax affairs in any manner, style or mode, resembling audit or appearing like audit."

"Explanation-III: Non-paid or short-paid amount of tax includes such non-paid or short-paid amount as was or is to be withheld or has been withheld by a person receiving a service or services as withholding agent but has not been deposited or has been short-deposited to Government.";

## Section 58

### Cognizance of offence.

#### Sub-Section 3

The Finance Bill 2021 has proposed to substitute the words, hyphen, figure and brackets "**of sub-section (1), on the basis of his own knowledge**" with "**or on the basis of his own knowledge under clause (c) of sub-section (1)**". After this substitution sub-section (3) shall be stated as follow:

If the Special Judge receives a complaint or information under clause (b), **or on the basis of his own knowledge under clause (c) of sub-section (1)** the Special Judge shall, before issuing a summon or warrant for appearance of the person, hold a preliminary inquiry for the purpose of ascertaining the truth or falsehood of the complaint, information or knowledge or direct any Magistrate or any officer to hold such inquiry and submit a report, and such Magistrate or officer, shall conduct such inquiry and make a report accordingly.

## Section 64

### Offences and penalties.

Amendments have been proposed in the fines and penalties table, reference of section 64 in 4<sup>th</sup> column of Sr No. 1, 2, 4, 5, 6, 8 and 9 for addition of section 30(2) under the ambit of penalties and fines.

Further, the bill seeks to insert explanation at the end of table. This explanation shall be as follow:

"Explanation: For the purpose of this section, in situations, where penalty or penalties are to be adjudicated or other penal actions are to be initiated or taken in terms of this section, in respect of any withholding agent, the word and expressions, carrying meanings of a service provider, shall be construed as service recipient or if so required, as withholding agent.";

## Section 65

### Default Surcharge

The Finance Bill seeks to insert sub-section 3 in section 65 which shall be stated as follow:

"(3) For the purpose of working out the monthly rate of default surcharge under clause (a) of sub-section (1), quarterly average of inter-bank rate, as announced or certified by or obtained from the State Bank of Pakistan, shall be taken into account and applied and in no case either falling under clause (a) or clause (b) of sub-section (1), default surcharge shall be calculated on compound basis and in case of any shortfall of days in the month during which the tax is paid, the amount of default surcharge shall be prorated in terms of days of the relevant month.";

Purpose of insertion of this sub-section is mention the rate for calculation of default surcharge.

- Section 66** Exemption from penalty and default surcharge.
- The bill seeks to substitute the word "Council" with "Provincial Assembly of the Khyber Pakhtunkhwa" in sub-section (2).
- Section 68** **Recovery of tax not levied or short-levied**
- Sub Section (1)** The bill seeks to substitute the word "**three**" with "five" in sub-section (1). Purpose of this substitution is to increase the time period for recovery of any short levy or non-levy of KPK sales tax on services.
- Sub-Section (5)** The bill has proposed to delete the words "**not exceeding thirty days**" from sub-section (5).
- Section 71** Procedure to be followed on arrest of a person.
- Sub-Section (1)** The bill seeks to substitute the figure of "60" with "70". This substitution is a rectification of the clerical mistake.
- Section 76** **Powers of adjudication.**
- Sub-Section (3)** The bill has proposed to substitute the sub-section (3) with following:
- "(3) The Authority may regulate the system of adjudication including transfer of cases, changes in pecuniary limits or extension of time limit within the meaning of section 99 of this Act.";
- Section 80** **Procedure in appeal.**
- Sub-Section (1)** The bill has proposed to substitute the words "**officer of the Authority against whose order the appeal has been made**" with "**authorized officer of the Authority; provided that nothing shall bar the officer, who has adjudicated the case or who has been nominated by the Director General, to represent and defend the case before the Collector (Appeals)**". After such substitution sub-section shall be as follow:
- The Collector (Appeals) shall give notice of the day fixed for the hearing of the appeal to the appellant and to the **authorized officer of the Authority; provided that nothing shall bar the officer, who has adjudicated the case or who has been nominated by the Director General, to represent and defend the case before the Collector (Appeals)**.
- Section 81** **Decision of Appeal.**
- Sub-Section (1)** The bill has proposed to replace full stop with colon at the end of sub-section (1) and seek to insert following proviso:
- "Provided that unless otherwise directed by the Director General in any specific case or class of cases, only an authorized officer of the Authority shall appear to defend or plead the case in the Appellate Tribunal.";
- Section 87** **Recovery of arrears of tax.**
- Sub-Section (1)**  
**Clause (g)** The bill has proposed to replace full stop with colon at the end of clause (g) of sub-section (1) and seek to insert following proviso:
- "Provided that the officer may, in consequence of any notice, issued under any of the above clauses, recover the due amount of tax, in the manner prescribed under the rules or otherwise as deemed appropriate to make recovery of such amount directly from the person, who is holding or is otherwise in custody of any money, whether owned by or payable to the defaulter.";
- Section 99** **Condonation of time-limit.**
- Sub-Section (2)** The Finance Bill 2021 has proposed to delete the words "**penalty or default surcharge levied**" from sub-section (2). After such deletion said sub-section shall be stated as follow:

**Sub-Section (3)**

“(2) The Authority shall not condone a time limitation which results in increase of any tax payable, unless the tax payer has been given a reasonable opportunity of being heard.”  
Through proposed amendments the words “**Sub-Section (2)**” from sub-section (3) shall be replaced by “**this section**”.

Further, Bill has proposed to insert proviso and explanation at the end of section 99 which will be stated as below:

“Provided that where a Collector or any other officer has been empowered to grant condonation under this section, he shall not be competent to grant condonation in any case falling in the jurisdiction of any officer with designation or rank higher than the Collector or such officer.

Explanation: Condonation of time limit under this section may be granted by the Authority either for the purposes of general application, in respect of any person or class of persons, with regard to any case or class of cases or to any officer or official or class of officers or officials of the Authority, performing functions or exercising powers under any of the provisions of this Act and rules or regulations made thereunder.”;

**Section 111**

**Bar of suits, prosecution and other legal proceedings.**

The bill has proposed to insert sub-section (2A). Proposed inserted sub-section namely (2A) shall be stated as follow:

“(2A) Any of the authorities, having the powers to hear appeal, under this Act, shall not order any cost or fine, on any ground, whatsoever, against the Authority or any of its officers or officials.”;

**Second Schedule**

The Bill has proposed to change the existing reference “(see sub-section (1) of section 19 read with sub-section (1) of section 26)” with “[see sections 19,21,26, 27 and 28]” meaning by that the reference proposed to mentioned at the top of second schedule will be of section 19, 21, 26, 27 and 28 of the Act.

Further, various changes have been proposed in the Second Schedule to the KPK Sales Tax on Services Act 2013 Changes being proposed in column No. 2 i.e. description of services and column 3 of second schedule i.e. Heading is reproduces hereunder:

S #	Existing Description of Services	Proposed Changes	Existing Heading	Proposed Changes
1	(iii) Service provided or rendered by non-corporate local chains of hotels (including guest houses and lodges etc.) and restaurants shall be charged to tax at the rate of Eight Percent (8%) without input tax adjustment; provided that where in any case of such restaurant, the Restaurant Invoice Management System (RIMS) is installed and working properly on regular basis, the rate of tax shall be further reduced to Five Percent (5%) without any input tax adjustment;	(iii) Service provided or rendered by <b>local non-corporate stand-alone hotels or chains of such hotels</b> (including guest houses, <b>clubs</b> and lodges etc.) and restaurants shall be charged to tax at the rate of Eight Percent (8%) without input tax adjustment; provided that where in any case of such restaurant, the Restaurant Invoice Management System (RIMS) is installed and working properly on regular basis, the rate of tax shall be further reduced to Five Percent (5%) without any input tax adjustment;  (vii) In case of non-corporate sector hospitality businesses, including hotels, guest houses, rest houses, lodges, restaurants and similar other accommodations and food serving businesses, located in the tourist spots of Galiyat and Kaghan Valleys, the tax shall be charged and paid at the rate of Five Percent (5%), without any input tax adjustment, subject to the compliance to all such conditions and procedures, as may		

S #	Existing Description of Services	Proposed Changes	Existing Heading	Proposed Changes
		be prescribed by the Authority, in this behalf."		
5	Reduced Rate of Tax: (i) All services of this entry other than business support services and labour or manpower supply services shall be charged to tax at the rate of Eight Percent (8%) without any input tax adjustment. (ii) Business support services and labor manpower supply services shall be charged to tax at the rate of five percent (5%) without any input tax adjustment	"Except the services falling under the categories of labour or manpower supplies including recruitments for overseas jobs or employment and such services of this entry, as are provided by corporate sector entities, all other services of this entry shall be charged at the rate of Eight Percent (8%), without any input tax adjustment; provided that business support services other than those provided by corporate entities shall be charged to tax at the rate five percent (05%).	9806.0000 9806.1000 9806.2000 9806.3000 9806.4000 9806.6000 9806.7000 9806.8000 9806.9000 9819.1000 9819.1500	9806.0000 9806.1000 9806.2000 9806.3000 9806.4000 9806.6000 9806.7000 9806.8000 9806.9000 9819.1000 9819.1500 9842.0000
6	Reduced rate of tax: In case of advertisements on or through print media of all types and forms, tax shall be charged at the rate of five percent (5%) without any input tax adjustment.	Reduced rate of tax: In case of advertisements on or through print media of all types and forms, tax shall be charged at the rate of <b>one percent (1%)</b> without any input tax adjustment		
8	Reduced Rate of Tax: All services covered in this entry except services (whole range) of authorized automobile (all categories of automobiles) dealers shall be chargeable to tax at the rate of two percent (2%) without any input tax adjustment.	Reduced Rate of Tax: All services covered in this entry except services (whole range) rendered or provided by corporate sector dealers and authorized automobile (all categories of automobiles) dealers shall be chargeable to tax at the rate of two percent (2%) without any input tax adjustment.		
10	Exemption: Full exemption to education-related or education-specific franchise services.	Exemption: Full exemption to health related, education-related or education-specific franchise services.		
13	Services provided by persons engaged in contractual execution or performance of works (including repair, maintenance, renovation, up gradation or janitorial works) or furnishing supplies (excluding transactions involving contractual supply of goods only without any component of service relating to such goods).	Services provided by persons engaged in contractual execution or performance of works (including but not limited to repair, maintenance, renovation, up gradation, cleaning, fumigation and decontamination services or janitorial works) or furnishing supplies (excluding transactions involving contractual supply of goods only without any component of service relating to such goods).	9810.0000 9810.1000 9810.2000 9810.9000	9810.0000 9810.1000 9810.2000 9810.9000 9822.1000 9822.2000 9822.3000

S #	Existing Description of Services	Proposed Changes	Existing Heading	Proposed Changes
14	<p>Exemption:</p> <p>(iii) The projects initiated or undertaken under government's annual development plan (ADP) provided either such projects have been initiated or completed on or before 30th June, 2019 or payments, whether full or in part, in respect thereof have been made on or before the said date (the ongoing projects in respect of which agreements or contracts were signed before the said date, shall be entitled to this exemption regardless of the schedule of payments relating thereto).</p>	<p>Exemption:</p> <p>(iii) The projects initiated or undertaken under government's annual development programme (ADP) provided either such projects have been initiated or completed on or before 30th June, 2021 or payments, whether full or in part, in respect thereof have been made on or before the said date (the ongoing projects in respect of which agreements or contracts were signed before the said date, shall be entitled to this exemption regardless of the schedule of payments relating thereto).</p> <p>(iv) To the extent of such portion or portions of the construction work of the projects of Public Sector Development Programme (PSDP), as were undertaken and completed before 30th June, 2021, regardless of the dates of their approval or initiation; provided that no such exemption shall be claimed or available on such portion or portions of the work of such project or projects as has/have not been completed before 30th June, 2021.</p> <p>(v) Construction services, including allied works, provided or rendered in respect of low-cost housing projects and schemes of the Provincial Housing Authority of Khyber Pakhtunkhwa.</p> <p><b>Condition:</b> The exemption allowed under this part shall not be construed or interpreted in any manner to claim or take any refund, waiver, dispensation or relief of tax already deposited, paid or recovered (including already withheld or deducted but not deposited or paid) on or before 30th June, 2021 on any ground whatsoever.</p> <p><b>Explanation:</b> For the purpose of this item, the expression "initiated" shall, under no circumstances, be construed to commence prior to the date of actual signing of the agreements for Government sector construction projects.</p>		



S #	Existing Description of Services	Proposed Changes	Existing Heading	Proposed Changes
	Clarification: Item No. (iii) and (iv) New insertion	(iii) Construction services shall include construction works of power (including hydropower) generation projects.  (iv) Where fixed rates of rupee one hundred per square yard, or as the case may be, rupees fifty per square foot are applicable in case of land development and commercial construction as per description specified above, tax shall not be charged in respect of the areas allocated, fixed or used exclusively for schools, medical dispensaries, mosques, graveyards, parks, public toilets, corridors (inside passages of buildings) and stairs provided that these facilities are meant for common use of the public at large without the involvement of any commercial aspect including intention or purpose for sale, leasing or renting.		
16		Reduced Rate of Tax: The rate of tax on the leases (including re-leasing by the lessees) and licenses (including sub-contracting or license usage permissions by license holder) granted or fees and royalties, received by Government Departments, or as the case may be, by the lessees or licensees, shall be Two Percent (2%) without any input tax adjustment; provided that no tax shall be demanded in case of the charges for such leases, licenses, fees or royalties etc, received up to 30th June, 2021, if tax thereon has not been already withheld, paid or recovered (no refund or waiver of any such tax amount shall be admissible under any circumstances).		
19			9816.0000 9816.1000 9816.2000 9816.3000 9816.4000 9816.5000 9816.6000 9816.9000	9816.0000 9816.1000 9816.2000 9816.3000 9816.4000 9816.5000 9816.6000 9816.9000 9826.0000
26		Reduced Rate of Tax: In case of health insurance services and services in respect of Government sponsored Sehat Card Plus program, the tax shall be charged at the rate of One Percent (1%) without any input tax adjustment.		

S #	Existing Description of Services	Proposed Changes	Existing Heading	Proposed Changes
27		"Reduced Rate of Tax: The tax on cold storage services (including other forms of warehousing of agriculture produce) regardless of their corporate or non-corporate status shall be charged at the rate of One Percent (1%) without any input tax adjustment.		
47	All allied, ancillary, auxiliary, related, substitutive, comparable or matchable services not specifically, directly or indirectly mentioned anywhere in this Schedule but fall in or are linked in any manner to the category or categories of services covered in any of the class or classes of services mentioned or included in the Schedule provided that no argument as to variation in description shall be relevant or permissible for the application of this entry.	All allied, ancillary, auxiliary, related, substitutive, comparable or matchable services not specifically, directly or indirectly mentioned anywhere in this Schedule but fall in or are linked in any manner to the category or categories of services covered in any of the class or classes of services mentioned or included in the Schedule provided that no argument as to variation in description shall be relevant or permissible for the application of this entry regardless whether such allied and other services are provided by the same person (service provider) whose services are falling under other serial number or numbers or by any other person (service provider) to such same person or to any other person.		

Further, finance bill seeks to reduce rate to various sectors whereas certain clarifications have also been added revised entries of second schedule are reproduce above.

S. No.	Existing rate of tax	Proposed rate of tax
9.	(iii) Two Percent (2%) without any input tax adjustment in case of standalone car wash (car wash station) services,	(iii) <b>One Percent (1%)</b> without any input tax adjustment in case of standalone car wash (car wash station) services,
10	Ten Percent (10%) without any input tax adjustment	Fifteen Percent (15%)
14	Two Percent (2%) without any input tax adjustment	Five Percent (5%) except Government funded construction projects including ADP/PSDP- funded projects and construction of hydropower projects on which the rate of tax shall be Two Percent (2%) without any input tax adjustment
19	Five Percent (5%) without any input tax adjustment.	Five Percent (5%) without any input tax adjustment:  "Provided that the above reduced rate shall not be applicable to corporate entities and to such other entities as are operating in collaboration or as subsidiary or branch of foreign service providing entities and all such entities shall pay tax at the rate of Fifteen Percent (15%) and avail admissible input tax adjustment.

S. No.	Existing rate of tax	Proposed rate of tax
20.	Two Percent (2%) without any input tax adjustment.	One Percent (1%) without any input tax adjustment.
34.	Two Percent (2%) without any input tax adjustment.	One Percent (1%) without any input tax adjustment.
36.	Two Percent (2%) without any input tax adjustment.	One Percent (1%) without any input tax adjustment.
39.	Two Percent (2%) without any input tax adjustment.	One Percent (1%) without any input tax adjustment.
44.	Two Percent (2%) without any input tax adjustment.	One Percent (1%) without any input tax adjustment.

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